

**9/8/77**

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THE PRESIDENT'S SCHEDULE

Thursday - September 8, 1977

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7:15	Dr. Zbigniew Brzezinski - The Oval Office.
7:45	Mr. Frank Moore - The Oval Office.
8:00 (60 min.)	Breakfast with House Leaders. (Mr. Frank Moore) - The Roosevelt Room.
9:30 (30 min.)	The Right Honorable Pierre Elliott Trudeau, P.C., M.P., Prime Minister of Canada. (Dr. Zbigniew Brzezinski) - The Oval Office and the Cabinet Room.
10:30	Mr. Jody Powell - The Oval Office.
10:45 (30 min.)	His Excellency Vice Admiral Alfredo <u>Poveda</u> Burbano, President of the Supreme Council of Government of Ecuador. (Dr. Zbigniew Brzezinski) - Oval Office and the Cabinet Room.
1:30 (30 min.)	His Excellency General Hugo <u>Banzer</u> Suarez, President of the Republic of Bolivia. (Dr. Zbigniew Brzezinski) - Oval Office and the Cabinet Room.
2:45 (30 min.)	His Excellency Dr. Joaquin Balaguer, President of the Dominican Republic. (Dr. Zbigniew Brzezinski) - Oval Office and the Cabinet Room.
4:00 (30 min.)	His Excellency General Carlos Humberto Romero, President of the Republic of El Salvador. (Dr. Zbigniew Brzezinski). The Oval <u>Office</u> and the Cabinet Room.
5:15 (30 min.)	His Excellency Brigadier General Juan Alberto <u>Melgar</u> Castro, Chief of State of the Republic of Honduras. (Dr. Zbigniew Brzezinski). The Oval Office and the Cabinet Room.

9/8/77

THE WHITE HOUSE  
WASHINGTON

Ecuador - *Rovela*  
IM AYALA Amb YCAZA

> Peru arms - DD = LST  
Anti-tank

> Amazon access

> Rosalynn TO <sup>Rio de</sup> Janeiro

> Election plans? 1978

> Fishing (harmony)

> { Air defense - Hawks → Chaparral  
Expedite any purchases  
one more ship (Hofstadter)

NAVAL OFFICER

> Export <sup>Trade</sup> restriction

> Soft term loan (\$17mil)  
Int Am Bk

> OAS Hum Rts. resolution

9/8/77  
"Corto plazo" = short  
term

THE WHITE HOUSE  
WASHINGTON

El Salvador Luis Romero  
En Martinez Am Bertrand

Derian

Honduras  
Borch - mediation

\$  
90 M. I Bank - Hydes

(Appoint church officials  
(Control family size  
(redistribute population  
(combat terrorism  
(Dr Orquillo (sp?) author of  
Hum Rts document

(Comm on Hum Rts visit  
(Approve agreement to Honduras

Devine - FTS Amb → ESul

9/8/77

THE WHITE HOUSE  
WASHINGTON

Honduras - <sup>Gen</sup> Melgar

FM. Col Palma Amb LAZARUS

Wife's father's death

No AID for El Cajon hydro  
maybe " " Rural electrification  
El Salvador mediation

Ratified Convention on Ham Rts 9/8

Chip

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2 Mari Luci Taramillo Amb 3/8



9/8/77

THE WHITE HOUSE  
WASHINGTON

Bolivia - Pres Banzer  
Sec Murillo Amb Crespo

Todman / Derian - <sup>39</sup> US Prisoners  
Not signed Am Conv on Hum Rts  
Plans → Civilian Rule (1980)  
Corridor (Peru/Chile) IFI loans  
Largest AID program in Lat Am  
Cocaine

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Prompt review

Release I'll

Minor offenses

Served > min. sentences

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9/8/77

THE WHITE HOUSE  
WASHINGTON

Dominican Republic. Luis Belaguer  
Escst Jimenez

- > Young visit
- > Signed Cond. on Hum Rts 9/7
- > 1978 Elections (May)
- > JSA
- 7/0 PL 480 rollover

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9/8/77

THE WHITE HOUSE  
WASHINGTON

Canada - Trudeau - Sec Iran Head  
FM Don Jamieson Amb Towar  
N Gas pipeline - ALCAN  
S Africa

CSCE

OAS

LOS - N. - Deep Sea Mining

Caribbean

Human Rts

THE WHITE HOUSE  
WASHINGTON

Breakfast  
Horne  
9-8-77

Senate:  
B-1 Reference Auth (59-36) App Com (10-5)

Regionalism

CRBR

Korea equipt

Hospital Cost Containment  
Sen HR Com + 5420 2X

ALCAN

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for Preservation Purposes

THE PRESIDENT HAS SEEN.

9/8/77

THE WHITE HOUSE  
WASHINGTON

Mr. President

There are suggested  
remarks for the Alcan  
announcement by the Sec  
tomorrow morning.

We do not need to hand  
out a text so you just  
need to approve in time for  
speech type text to be done.

Jay

oh  
I

9/7/77 10:15 p.m.:kaf

Alcan Project Statement--September 7, 1977

Prime Minister Trudeau and I today have reached an agreement in principle that our countries <sup>will</sup> ~~would~~ undertake together the largest single <sup>privately financed</sup> ~~energy~~ project in history--<sup>an</sup> ~~a~~ Alcan Highway pipeline to carry Alaskan natural gas through Canada to the lower 48 states.

Ultimately, this joint U.S.-Canadian system could deliver up to 3.6 billion cubic feet per day of Alaskan and Canadian gas to both our countries.

The cost of transporting this gas will be significantly lower than under the alternative all-U.S. El Paso route. Savings to American consumers, over the <sup>first 20 years</sup> ~~life~~ of the project, could <sup>total</sup> ~~come~~ to \$6 billion.

The Alcan route is also preferable to the El Paso one because it is safer and less damaging to the environment, and because it will deliver gas directly to where it is <sup>most</sup> needed in both midwestern and west coast markets.

The project will benefit Canada by making it much easier for that country to develop its own gas reserves in the frontier regions of the Mackenzie Delta, and ~~in Alberta~~.

9/7/77 10:15 p.m.:kaf

2

We have agreed in principle not to build the route diversion to Dawson originally required by the Canadian National Energy Board. In exchange, ~~for not having to build this diversion,~~ <sup>has</sup> the U.S. ~~would agree to pay~~ <sup>the cost</sup> a share of the Dempster Highway Lateral from Dawson to Whitehorse in the Yukon Territory, <sup>if it is built in the future to</sup> ~~which will~~ connect at that point with the American line and feed in additional gas from the Mackenzie Delta. The Canadians, in turn, have agreed to a program of incentives aimed at reducing cost overruns on the entire portion of the system which lies in Canada.

Both our countries have now begun working together to plan the energy needs of North America over the coming decades. This agreement brings great benefits to both countries. ~~I hope we can~~ <sup>will</sup> continue to cooperate to our mutual benefit in the many other <sup>matters of importance</sup> ~~areas of concern~~ to our two nations.

Once the agreement is signed next week, Prime Minister Trudeau and I will seek approval of the Alcan project from our respective legislative bodies. I hope the U.S. Congress will approve this critical energy project before the close of this session.

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for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 8, 1977

C/

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BILL CABLE

Bill  
FM.

THROUGH:

FRANK MOORE

SUBJECT:

The National Energy Plan

I spent 1 hour today with the Speaker, Majority Leader Wright, Rep. Thomas Ashley, Rep. John Brademas, House Parliamentarian Bill Brown, and Secretary Schlesinger. The discussion was regarding the procedure of handling the Senate's piece-meal action on Energy. As I understand it, the Senate will pass the Energy bill in small pieces, adding as alternatives the corresponding House-passed piece and sending each piece as it is completed to the House. For example, when the Senate finishes with coal conversion, they will add the House passed provision dealing with coal conversion and send that portion back to the House. This procedure avoids the need for an ad-hoc committee type arrangement in the Senate and also avoids the possibility of filibuster.

The most important provisions in the National Energy Plan as well as the most difficult provisions to pass in the Congress are tax related. Tip and the entire leadership feels strongly that if the non-tax aspects are separately passed, it will be impossible to pass the tax portion. Therefore, the Speaker is meeting with the Senate leadership tomorrow to inform the Senate that the House will not take formal action on the pieces as they are sent over but may act informally on each to speed up the process. This procedure will give the House and Senate a single vote to adopt all of the plan as worked out in conference. Senator Byrd will not be pleased with the House procedure and will argue that the whole plan could be killed by a Senate filibuster. Secretary Schlesinger agrees with the Speaker that sticking to the omnibus bill and House procedure is the only way to pass anything like your energy program.



THE WHITE HOUSE  
WASHINGTON

September 8, 1977

Fran Voorde -

The attached is forwarded to you  
for appropriate action.

Rick Hutcheson

cc: Tim Kraft

Re: Meeting on Veterans  
Administration



THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

X	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
X	VOORDE
	WARREN



OFFICE OF  
THE ADMINISTRATOR OF  
VETERANS AFFAIRS

VETERANS ADMINISTRATION

WASHINGTON, D.C. 20420

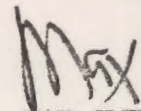
September 6, 1977

My dear Mr. President:

During the next few weeks, I and Bo Cutter will be asking for some time on your calendar to present to you a better understanding of the Veterans Administration, its mission, its role and policy options which you might consider. I am personally looking forward to this time with you to share my thoughts and feelings in the area of veterans affairs. I truly believe the VA is a challenging area of Federal policy which can be substantially improved.

I look forward to our time together and I am truly proud to be a part of your Administration in this exciting age.

Most sincerely,

  
MAX CLELAND  
Administrator

The President  
The White House  
Washington, D.C.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

September 8, 1977  
5:10 p.m.

Q  
✓

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM*

The Senate has just tabled the Kennedy amendment to the coal conversion bill by a vote of 62 yeas - 30 nays.

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PRESIDENT JIMMY CARTER  
ALCAN PROJECT STATEMENT  
SEPTEMBER 8, 1977

THE PRESIDENT HAS SEEN.

PRIME MINISTER TRUDEAU AND I TODAY HAVE REACHED  
AN AGREEMENT IN PRINCIPLE THAT OUR COUNTRIES WILL  
UNDERTAKE TOGETHER THE LARGEST SINGLE PRIVATELY-FINANCED  
ENERGY PROJECT IN HISTORY -- AN ALCAN HIGHWAY PIPELINE  
TO CARRY ALASKAN NATURAL GAS THROUGH CANADA TO THE LOWER  
48 STATES.

THIS JOINT U.S.-CANADIAN SYSTEM COULD DELIVER  
MORE THAN 3.6 BILLION CUBIC FEET PER DAY OF ALASKAN  
AND CANADIAN GAS TO BOTH OUR COUNTRIES.

THE COST OF TRANSPORTING THIS GAS WILL BE  
SIGNIFICANTLY LOWER THAN UNDER THE ALTERNATIVE ALL-  
U.S. EL PASO ROUTE.

SAVINGS TO AMERICAN CONSUMERS, OVER THE FIRST  
20 YEARS OF THE PROJECT, COULD TOTAL \$6 BILLION.

THE ALCAN ROUTE IS PREFERABLE TO THE EL PASO ALTERNATIVE BECAUSE IT IS MORE ECONOMIC, SAFER AND LESS DAMAGING TO THE ENVIRONMENT, AND BECAUSE IT WILL DELIVER GAS MORE DIRECTLY TO MAJOR GAS MARKETS THROUGHOUT THE COUNTRY.

THE PROJECT WILL BENEFIT CANADA BY FACILITATING DEVELOPMENT OF ITS GAS RESERVES, PARTICULARLY IN THE FRONTIER REGIONS OF THE MACKENZIE DELTA.

WE HAVE AGREED IN PRINCIPLE NOT TO BUILD THE ROUTE DIVERSION TO DAWSON ORIGINALLY REQUIRED BY THE CANADIAN NATIONAL ENERGY BOARD.

IN EXCHANGE THE U.S. HAS AGREED TO SHARE THE COST OF THE DEMPSTER HIGHWAY LATERAL FROM DAWSON TO WHITEHORSE IF IT IS CONSTRUCTED.



THIS LATERAL WOULD CONNECT AT WHITEHORSE WITH THE MAIN PIPELINE SO THAT ADDITIONAL GAS FROM THE MACKENZIE DELTA COULD BE BROUGHT TO MARKET.

THE EXACT SHARE OF THE U.S. COST FOR THE EXTENSION WILL BE DETERMINED BY THE PERCENT OF COST OVERRUNS ON CONSTRUCTION OF THE PIPELINE IN CANADA.

THIS FORMULA WILL PROVIDE INCENTIVES FOR THE MOST EFFICIENT CONSTRUCTION OF THE PIPELINE.

BOTH COUNTRIES RECOGNIZE THE BENEFITS FROM INCREASED COOPERATION IN DEVELOPING THEIR ENERGY SUPPLIES.

THIS AGREEMENT BRINGS GREAT BENEFITS TO BOTH COUNTRIES.

WE WILL CONTINUE TO COOPERATE TO OUR MUTUAL BENEFIT IN THE MANY OTHER MATTERS OF IMPORTANCE TO OUR TWO NATIONS.

ONCE THE AGREEMENT IS SIGNED NEXT WEEK, PRIME MINISTER TRUDEAU AND I WILL SEEK APPROVAL OF THE ALCAN PROJECT FROM OUR RESPECTIVE LEGISLATIVE BODIES.

I HOPE THE U.S. CONGRESS WILL APPROVE THIS CRITICAL ENERGY PROJECT BEFORE THE CLOSE OF THIS SESSION.

ONCE APPROVED, I BELIEVE THE PROJECT WILL BE EXPEDITIOUSLY BUILT CONSISTENT WITH SOUND ENVIRONMENTAL PRACTICES.

UNDER THE PROVISIONS OF THE ALASKAN NATURAL GAS TRANSPORTATION ACT, I WILL APPOINT A STRONG FEDERAL CONSTRUCTION COORDINATOR AND INSPECTOR TO INSURE EFFECTIVE PROJECT DESIGN AND MANAGEMENT.

I APPRECIATE THE FINE COOPERATION OF THE CANADIAN GOVERNMENT IN NEGOTIATING THIS AGREEMENT, AND LOOK FORWARD TO ANOTHER OPPORTUNITY TO DEMONSTRATE THE FRIENDSHIP AND MUTUALITY OF PURPOSE WHICH HAVE ALWAYS MADE US SUCH GOOD NEIGHBORS.



ALCAN PROJECT STATEMENT  
SEPTEMBER 8, 1977

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BOTH COUNTRIES

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THE WHITE HOUSE  
WASHINGTON

September 6, 1977

Frank Moore  
Zbig Brzezinski

The attached has been forwarded  
to the President. This copy is forwarded  
to you for your information.

Rick Hutcheson

RE: REPORT ON MY VISIT WITH FORMER  
PRESIDENT FORD

THE WHITE HOUSE

WASHINGTON

September 8, 1977

Hugh Carter

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

RE: REPORT ON MY VISIT WITH FORMER  
PRESIDENT FORD

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
	X	H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



*Fnd visit — — 5:15 PM*

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

*good*

September 6, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Report on My Visit with Former President Ford

My visit with former President Ford was very constructive, worthwhile and cordial. I met with him twice for a total of about two hours.

The points of our discussion were as follows:

(1) Panama Canal Treaty

- (a) He was quite concerned that Henry Kissinger and John Connally be kept aware of the situation as much as possible. He also noted that he felt that it would be helpful if Nelson Rockefeller was contacted on the matter. He feels these are key people in drawing Republican support to our treaty efforts. I advised him of our contact with Kissinger and Connally.
- (b) He advised that we should attempt to have a Senate vote on the treaty before Congress adjourns for the year. He feels if we wait until the beginning of next year, the vote could easily be delayed into the Congressional elections and that would be disastrous.
- (c) He strongly recommended a national advertising campaign to inform the people about the treaty and solicit their support. He suggested some type of coalition group to finance it. I asked if he would be willing to participate in an advertising campaign, and he said he would be inclined to do so provided he was satisfied with the way the campaign was designed. I feel we should pursue this.



- (d) He said he would get Howard Baker to call a foreign policy breakfast meeting of the Senate Republican leadership to be held on September 8, and that he and Henry Kissinger would attend, and support the treaty. He also stated he would meet with John Rhodes and Tip O'Neill on the same day. (I understand that the breakfast is set up for 8:30 a.m. September 8).
- (e) I gave him your message about becoming personally involved and contacting Senators and others on behalf of the treaty. He said he had talked to Robert Dole, but had obtained no commitment. He also said he thought he could get Bob Griffin to vote for it. He indicated he wanted to wait until after the September 8 breakfast (d above) before he became more personally involved.
- (f) We agreed to keep the communication lines open, share information and work closely together in attempting to get the required number of votes to ratify the treaty.

(2) Transition Problems

- (a) He is quite concerned about several elements of the Former Presidents Act and the Presidential Transition Act. Of primary concern is the \$96,000 allowance for staff which he feels is too small. He stated he had discussed the problem with Tip O'Neill, Morris Udall and others on the Hill. GSA and OMB in consultation with Bob Lipshutz and myself are working on some proposed legislation to correct the present problems with these two acts. (The first drafts of this legislation were prepared by GSA during the Ford Administration.) A GAO study recently completed is being used as a guideline. Other persons concerned will be consulted as necessary.
- (b) He has some problems with the Federal Tort Claims Act in that federal money pays for his staff, but will not pay the costs of certain fringe benefits. I will look into this in the near future.

- (c) He asked for continued White House Communications Agency telephone support. I stated that we would do everything we could legally to help him.
- (d) He stated that he is attempting to set up (with IRS and FEC approval) a campaign trust with left over campaign funds, and use the interest to pay for supplemental staff for him. Upon his death, the money would go to the Gerald Ford Library and Museum.

Note: All of these items will be of concern to you in three or seven years. It will be to your benefit also if we can get them worked out.

- (3) He is quite concerned about the lack of confidence that the business community appears to have in the economy of the country. He urges you to make it a high priority to take steps to reassure the business community that in the long run the economy will hold up. In answer to his concern, I told him your tax reform legislation would be sent to Congress probably around October 1, and hopefully it would help in restoring confidence. I mentioned to him some of the points being considered for inclusion in the legislation.
- (4) I also mentioned to him the following:
  - (a) Your concern about the Richard Nixon gift situation.
  - (b) The approximate time table on your Urban Policy and National Health Insurance legislation.

Overall, the visit was very successful. Mr. Ford was very cordial and went out of his way to make me feel welcome (we had an extra meeting which was not planned, played two sets of tennis, and had dinner at his home with Mrs. Ford and two of their children). He appreciated very much your interest in him as a former President. I feel we have an excellent working relationship with him and his staff.



8:00 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON  
September 7, 1977

C

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Breakfast Meeting with House  
Leadership, Thursday, September 8

I. Legislation before the floor of the House in the next two weeks:

1. Clinch River Breeder Reactor
2. Defense Appropriations (B-1 recission)  
September 8 (Thursday)
3. Black Lung -- September 13 or 14 (Tuesday or Wednesday)
4. Minimum Wage -- September 15 (Thursday)
5. AWAC's -- (Committee only - should never reach the floor if we are successful)
6. Second Budget Resolution (this week and next)

II. The Speaker will be meeting with Coretta King and others this week and will be interested in transmitting good news to them with regard to the Administration's position on Humphrey-Hawkins.

III. B-1 Bomber. The DOD appropriations conference report will be considered by the House Thursday (September 8). Attached is a list of Democrats you should ask the Leadership to contact directly on your behalf.

(Talking points from Dr. Brzezinski and me are attached, as are comments from Secretary Brown.)

IV. "Regionalism". This is a rapidly developing issue on the Hill. Feelings, often expressed in floor debate and during committee deliberations, are growing more intense. National media attention increased in early 1976, with major focus coming after the Business Week article "The Second War between the States," May 17, 1976. Since then dozens of items have appeared across the country, including several in The National Journal and Congressional Quarterly.

While the issue is far too complex to go into any detail in this memo, a few points to mention (unless you wish to wait until a later meeting) are:

1. "Institutional" activities initiated by your Administration include:

- A White House Conference on Balanced Growth and Economic Development which will take place in February of 1978.
- The establishment of the Urban and Regional Policy Group chaired by HUD Secretary Patricia Harris.
- Current preparation of the National Urban Policy Report.

2. Key legislative initiatives supported by you:

- Renewal of the Community Development Block Grant program (with a new distribution formula); the proposed Urban Discretionary Action Grant program.
- Counter-cyclical Assistance
- Local Public Works

3. Much of the conflict currently occurring is attributable to what has been termed a "national inadvertent growth policy," which has resulted from uncoordinated tax, housing, transportation, and energy policies, among others.

(There is a massive amount of data available on this subject generally, and a substantial amount which deals directly with its impact on Congress. If you wish, we can work with Jack's and Stu's staffs to produce a comprehensive report for you.)

As I pointed out in an earlier memorandum, support for Administration's total legislative program varies widely among the regions of the country. Our most recent calculations (based upon 33 roll call votes in the House) shows the average levels of support to be as follows:



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Far West:	75.8%
Mid-Atlantic:	74.9%
Mid-Industrial:	73.7%
Northeast:	76.5%
Northwest:	75.0%
Plains:	71.6%
Southeast:	57.9%
Southwest:	44.2% ←

Republicans:

Far West:	21.2%
Mid-Atlantic:	39.5%
Mid-Industrial:	32.5%
Northeast:	45.9%
Northwest:	25.7%
Plains:	26.0
Southeast:	26.9%
Southwest:	23.5%

V. Miscellaneous Political Information

A. Monroe McKay's (brother of Congressman Gunn McKay) nomination to a 10th Circuit Judgeship:  
A memo on this will be forthcoming from Bob Lipshutz and me.

B. HUD Area Director in Newark, N. J.: The New Jersey delegation agrees that the current director must go, but is divided on who should be the replacement. HUD, meanwhile, has questions about removing him (he is career civil service). Bill Cable and I are working on this and will report developments to you as necessary.

C. Korea Troop Withdrawal/Equipment Transfer Authority: Within the next few weeks a decision will have to be made as to the timing of a request for equipment transfer authority necessary to implement the troop withdrawal.

Attachments: Brzezinski/Moore Memo re B-1  
Secretary Brown Memo re B-1  
B-1 Vote Contacts  
Speaker's List of Legislative Priorities





## THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 23-  
FRANK MOORE

SUBJECT: Defense's Talking Points on the Upcoming  
House Vote on the B-1 Program

Secretary Brown has sent you some talking points to use in your meetings with the Congressional leadership concerning the upcoming House vote on the B-1 program (Tab A). The talking points seem reasonable although the first two are more like background statements addressed to you.

In your meetings it may also be useful to review the main arguments in favor of going ahead with the ALCM programs instead of the B-1. Toward that end we have provided the following additional talking points:

-- The decision was a choice between going ahead with the B-1 or creating a standoff bomber force of B-52's armed with long range ALCMs -- two alternatives for preserving the viability of the bomber force -- a purpose to which I am committed.

-- Arming some portion of the B-52 force with the ALCM is the most effective step we can take to maintain the viability of the bomber force -- and far less expensive than deploying the B-1.

-- While verification of ALCM limits is somewhat tougher than simply counting bombers or missiles, adequate verification will be possible.

-- Maintenance of the effectiveness of the bomber force will help us to maintain a high degree of crisis stability by allowing us to avoid a greater dependence on ballistic missiles with their short times of flight and ever increasing accuracies.

THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

26 August 1977

MEMORANDUM FOR THE PRESIDENT

THROUGH: Assistant to the President for Congressional Liaison

SUBJECT: Upcoming House Vote on B-1 Program

Attached are talking points for use with the Congressional Leadership addressing future House action on the rescission of FY 77 funds and our amendment to the FY 78 budget with respect to the B-1/Cruise Missile decision.

*Harold Brown*

Attachment  
Talking Points

## TALKER

### Upcoming House B-1 Vote During Action on FY 78 Defense Appropriations Bill Conference Report

- Chairman Mahon has scheduled a separate vote on B-1 funding when the House votes on the Conference Report on the FY 78 Defense Appropriations Bill.
- No specific date has been set, but the House is very likely to vote on the Conference Report within the first three days of business after it reconvenes on September 7.
- It is important that our B-1 position receive a strong vote of support in the House when the Conference Report is brought up -- both for political reasons and for its impact on the B-1 Rescission Bill and the FY 78 Supplemental Authorization Bill.
- Traditionally, the majority of the Armed Services and Appropriations Committees have been pro-B-1. We hope they will support us now, but we must also look for support from other areas, i.e., party support for the Administration's position and general Congressional support for our defense policy.
- We would like the House leadership to help us gain the support of those who are perhaps "fence sitters;" people who have supported the B-1 in the past, but who should now be willing to support our decision as long as they are comfortable with the reasons for it and how it fits into our overall defense program.
- We would appreciate the Leadership letting us know if there are particular questions on the B-1/Cruise Missile decisions which may be troubling some Members -- as well as specific key Members whom it would be helpful for us to contact when Congress comes back.
- A strong vote at this time is important for several reasons:
  - Both the B-1 Rescission Bill and the FY 78 Supplemental Authorization Bill, providing funds for the Cruise Missile and Cruise Missile carrier aircraft programs, are still pending in the House and Senate.
  - We believe it is likely to influence the Armed Services Committees in their review of the Supplemental request.
  - Also, Secretary Vance will be meeting with Soviet Foreign Minister Gromyko in Geneva from September 7-9 to continue discussions on the SALT Talks.



- Since we announced our B-1 decision, Congress has consistently supported us. It is simply important to emphasize that their strong support continues to be essential.
- As background, the specific votes on B-1 funds in the FY 78 budget have so far been:
  - House Defense Authorization Bill: Approved April 25 with no effort to strike B-1 funds.
  - Senate Defense Authorization Bill: B-1 funding deleted (59-36) approving SASC amendment introduced by Chairman Stennis.
  - House Defense Appropriations Bill: Rejected June 28 (178-243) floor amendment of Rep. Addabbo to strike B-1 funding.
  - Senate Defense Appropriations Bill: B-1 funding deleted in Committee (10-5).

THE WHITE HOUSE

WASHINGTON

B-1 Bomber Vote Targets

Akaka, Ha.	Natcher, Ky
Andrews, N.C.	Oaker, Ohio
Allen, Tenn	Patten, NJ
Boggs, La	Perkins, Ky
Brooks, Tex	Pickle, Tex
Brown, Cal	Preyer, NC
Burke, Mass	Price, Ill
Carney, Ohio	Rahall, WVa
Cavanaugh, Neb	Roe, NJ
Danielson, Cal	Rogers, Fla
Delaney, NY	Rose, NC
Dicks, Wash	Skelton, Mo
Fary, Ill	Thornton, Ark
Glickman, Kan	Tucker, Ark
Hall, Tex	Yatron, Pa
Ireland, Fla	Zeferetti, NY
Jenrette, SC	
Jones, NC	
Levitas, Ga	
Long, La	
McCormack, Wash	
Mann, SC	
Mathias, Ga	
Minish, NJ	
Murphy, Ill	
Murtha, Pa	



TO: The Speaker  
FROM: Irv Sprague  
SUBJECT: Legislative Priorities

After this week there will be just 23 legislative days before October 21. There is more to be done than can be accomplished so scheduling pressures will intensify.

Attached is a legislative checklist compiled in consultation with our committee staffs and with Frank Moore. Recommend that priorities be established as follows:

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(four in conference, all with problems; two in committee)
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(Should be wrapped up September 15)
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- E. Conference reports (28 measures have passed both House and Senate)
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- G. 34 Expiring authorizations; includes some tough issues, such as:
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  - 4. ERDA Military (neutron bomb)
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September 7, 1977

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Burke, Mass	Price, Ill
Carney, Ohio	Rahall, WVa
Cavanaugh, Neb	Roe, NJ
Danielson, Cal	Rogers, Fla
Delaney, NY	Rose, NC
Dicks, Wash	Skelton, Mo
Fary, Ill	Thornton, Ark
Glickman, Kan	Tucker, Ark
Hall, Tex	Yatron, Pa
Ireland, Fla	Zeferetti, NY
Jenrette, SC	
Jones, NC	
Levitas, Ga	
Long, La	
McCormack, Wash	
Mann, SC	
Mathias, Ga	
Minish, NJ	
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FROM: Irv Sprague  
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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 8, 1977

Mr. President,

Following preparation for the attached memo, both the Senate and the House today voted to raise the FY 1978 budget ceiling for all farm programs to \$4.8 billion. Senator Muskie objected and sighted the unofficial USDA proposal of \$6.2 billion referred to in the attached -- but the motion passed 64 to 26.

Stu

Stu Eizenstat

THE WHITE HOUSE

WASHINGTON

September 7, 1977

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MEMORANDUM FOR:

THE PRESIDENT

FROM:

BERT LANCE

CHARLIE SCHULTZE

STU EIZENSTAT

*B. Lance*  
*CLS*  
*Stu*

SUBJECT:

FY 1978 Budget for the  
Farm Programs

We met last Thursday with members of the Senate Budget Committee staff to discuss the budget for the farm programs. They are concerned about the escalation in FY 1978 budget estimates resulting from recent actions by the farm bill conference committee and by the Administration. The Budget Committee had planned to include \$4.1 billion for all agricultural price and income support programs in their second concurrent resolution, the final Congressional action before the start of the new budget year; they now estimate that \$4.8 billion will be required to cover these actions. Our estimates indicate that the amount required will be even larger than this -- about \$6.2 billion.<sup>1</sup>

Senator Muskie is considering a challenge of the conference committee reported "farm bill." If the challenge should be upheld, the bill would be returned to the Agriculture Committee for modification to conform to the \$4.1 billion budgetary ceiling. Since the new Congressional budget process has been in operation, there has never been an attempt to remand a bill to Committee. The Budget Committee staff feels they have no chance of success on this attempt without our help. If we do not support the action, they are unlikely to make the attempt.

As you know, the farm bill conference has not yet officially reported. Thus, our evaluation of the bill is still underway and any budget estimates remain tentative. Nevertheless, we

<sup>1</sup> Other programs and activities in this function account for an additional \$1.5 billion, which has remained essentially unchanged.



believe it would be useful to review the sequence of actions by which this legislation evolved and the budgetary consequences. We have made certain in the legislative development of the bill and in our recent actions on set-asides, reserves, and loans to not preclude your options for approval or veto of the bill. If there is to be serious consideration of a veto of the bill, this is the time to make that position known for maximum effect.

The Administration's original farm bill proposal, outlined in Secretary Bergland's testimony of March 22 and 23, averaged about \$1.4 billion per year for crop years 1978-81. This figure is not comparable to those cited above since the latter only includes deficiency and reserve storage payments and loan and inventory outlays for grains and cotton. Since the budgetary effects lag by one year, this proposal affected fiscal years 1979-82. The original proposal established target prices for wheat and corn at \$2.60 and \$1.75, respectively. On April 18th, after it had become evident that this proposal lacked political support in the Congress, you authorized Secretary Bergland to endorse higher target prices -- \$2.90 for wheat, \$2.00 for corn, and 51¢ for cotton -- provided the average annual cost for grains and cotton remained below \$2 billion.

The Congressional Committees then moved to increase the 1977 crop support levels, not previously considered in the "farm bill." This action affects the FY 1978 budget. In early May, you authorized Administration support for higher target prices for the 1977 crops (\$2.65 wheat and \$1.85 corn), provided the Congress agreed to our levels and adjustment procedures in the out-years. Finally, prior to the start of the conference, you discussed the situation with both Secretary Bergland and Congressman Foley and approved Administration support of most key provisions in the House bill. Of the 4 or 5 "must" provisions we identified, we were successful in conference except for the sugar provision. A brief description of the major provisions of the farm bill is attached, for your information.

The sequence of proposals and the associated budget estimates for FY 1979-82 are summarized in Table 1. Throughout this period, and going into conference, the Department of Agriculture has advised us that average annual budget costs for



the grain and cotton programs for this period could be kept within the \$2 billion ceiling, recognizing that costs would vary substantially from year-to-year within the period. In his memo of July 14, to you, prior to your meeting to discuss House floor and conference strategy, Secretary Bergland indicated that "those programs included within the \$2.0 billion annual average ceiling you gave me to work within can be operated in a manner that keeps outlays below the ceiling if the positions (we recommended) are in the final bill." Though we believe this could prove to be an optimistic forecast, much depends on future weather conditions and on future administrative decisions regarding set-asides, loan rates, and export policy, all of which are difficult to predict.

It is possible to estimate FY 1978 budget costs with fairly high confidence, however -- and they have risen dramatically since the budget was submitted. The budget outlay estimate for all farm price and income support activities has risen from \$866 million in the Administration budget to a current estimate of \$6.15 billion. Details of this increase are shown in Table 2. There are three principal reasons for the increases: (1) changing market conditions, (2) Congressional actions, and (3) administrative actions. About half of the increase is attributable to changing market conditions. For example, when the budget was prepared last winter, a season average farm price for wheat of \$2.60 per bushel was assumed. Agriculture is now estimating \$2.20 and the August price was only \$2.03. In the case of corn, the budget assumed a season average farm price of \$2.20. It is now estimating \$2.00, with an August price of \$1.68. This does not speak very well for the Department of Agriculture's capacity to predict even short-term market conditions.

The other half of the increase can be traced to a combination of Congressional and administrative actions. These include higher target prices for wheat and feed grains, increased loan levels for feed grains, our earlier decision to raise dairy price supports from \$8.26 to \$9.00 per cwt, the USDA's intention to use discretionary authority to provide deficiency payments to sorghum and barley producers, and the increased use of short-term export credit to promote grain exports.

Of the overall increase in outlays, about half will be in the form of loans that will either be repaid or are secured by collateral in the form of grain stocks. The remainder will be direct payments.



Despite this increase in cost estimates, there are several considerations that argue against Administration support of Senator Muskie's challenge. First, it does not appear to have the necessary Congressional support. The House Budget Committee has reportedly decided against a challenge, having unsuccessfully contested cost over-runs in the farm bill when it was debated on the House floor. Second, the Budget Committee's purview extends only to FY 1978. If they asked for reconsideration of the agriculture budget, it would only be for changes that affect FY 1978. The more important budgetary implications of this bill are, as you know, in FY's 1979-82. In fact, through the build-up of a reserve in the coming crop year, we are likely contributing to reduced budget costs in the out-years. Third, if you would elect to support Senator Muskie, then that support would have to be backed with a willingness to veto the bill. While a reasonably strong case could be made for a veto (or for signature), it is doubtful, with farm prices continuing to fall and an election year just ahead, that we would be able to secure a better farm bill next year. Fourth, even if Muskie were successful, with our help, we would be in no better position for the critical years, 1979-82. We would need to get a new Conference agreement on price support levels, after our Administration, for better or worse, acceded to the levels now agreed upon. Fifth, given the new estimates from the Department of Agriculture, it would require radical surgery on 1978 support prices to get down to the levels Muskie will seek.

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We recommend that you meet with Secretary Bergland in the near future to discuss this situation and to impress on him the need to hold down these costs.

Decision

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Table 1

Sequence of Alternative Farm Bill Proposals and Estimated Outlays<sup>1</sup>

(dollars in billions)

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<sup>1</sup>Estimates include income support, set-aside, disaster, and storage payments and loan and inventory outlays for grains and cotton.





Table 2

FY 1978 Budget Outlay Estimates  
Agriculture Function  
Commodity Credit Corporation  
(\$ Millions)

	<u>FY 1978 Budget Estimate</u>	<u>FY 1978 Current Estimate</u>
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TOTAL CCC	866	6,155





FOOD AND AGRICULTURE ACT OF 1977 \*

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<u>Crop</u>	<u>Administration Proposal 1/</u>	<u>House Bill</u>	<u>Senate Bill</u>	<u>Conference Bill</u>
<u>1977 Crop</u>				
Wheat	2.65	2.90	2.90	2.90
Corn	1.70	2.00	--	2.00 <u>2/</u>
Cotton	--	--	--	--
Rice	--	--	--	--
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Wheat	2.90	3.00	3.10	3.00
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The House bill contained the target price adjustment formula we developed, and it is in the bill for all the "target price" crops -- wheat, corn, sorghum, barley, oats, rice and cotton. A target price for barley and oats is permissive, but required for the other commodities, as we recommended. This formula excludes a return to land; the Senate bill formula included a return to land.

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We favored provisions that guarantee the producer a target price payment on 100 percent of the acreage planted for harvest if he adjusts his plantings by the amount required to meet national targets and that protected other producers on only 80 percent of their acreage (Senate bill provided 90 percent), and these provisions were accepted.

The bill contains the set-aside and land diversion authorities in essentially the manner we proposed. These authorities are applicable to wheat, feedgrains, cotton and rice. We proposed permissive authority for a soybean set-aside but this was deleted.

We stated it was essential to the Administration that I be given authority to require a reduction in acreage normally used to grow crops equal to the acreage set-aside or diverted and that I be given the authority to require compliance with set-aside provisions to be eligible for benefits under any program, and these authorities are in the Bill.

We favored basing set-aside on either the current or prior year plantings for harvest, but the Conferees restricted our authority to current year. We intended to use current year anyway.

Target price payments are limited, but the limitation for combined wheat, feedgrain and cotton payments is raised to \$40,000 in 1978 and \$45,000 in 1979, from the current \$20,000. Payments to rice growers, now limited to \$55,000 are restricted to \$52,250 in 1978 and \$50,000 in 1979. Beginning with the 1980 crops the combined payment under all these programs is limited to \$50,000, the level we originally proposed for all years of the bill. We also proposed to include extra long staple cotton but the Conferees failed to do so.

Minimum loan levels are \$2.35 for wheat and \$2.00 for corn as long as the season average price is more than 5 percent higher. Minimum loan levels for the other feedgrains are on a competitive feeding basis with corn. These provisions we recommended except we initially proposed a \$2.25 wheat loan.



# Loan Rate Comparisons

<u>Crop</u>	<u>Administration Proposal</u>	<u>House Bill</u>	<u>Senate Bill</u>	<u>Conference Bill</u>
<u>1977 Crop</u>				
Wheat	--	--	--	--
Corn <u>1/</u>	1.75	2.00	1.75	2.00
Cotton	--	--	--	--
Rice	--	--	--	--
Soybeans	--	--	--	--
Peanuts	--	--	--	--
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>
<u>1978 Crop</u>				
Wheat	2.25	2.35	2.47	2.35
Corn <u>1/</u>	2.00	2.00	2.00	2.00
Cotton <u>3/</u>	.46	.46	.46	.46
Rice	6.19	6.31	6.45	6.31
Soybeans	4/	4/	4.00	4/
Peanuts	420	420	420	420
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>

1/ Loan rates for sorghum, barley, and oats at levels that are competitive for use.

2/ With a minimum at 13.5 cents per pound.

3/ Cotton loan rates based on a specified formula related to smaller of domestic or world prices.

4/ Discretionary.

5/ Dual milk support prices indicate semi-annual adjustments.

The House bill required a reduction in grain loan levels when supplies were excessive, to a level that would maintain our competitiveness in world and U.S. markets. We stated this was essential to the Administration. The Conferees amended this to make the reduction permissive, to limit the reduction to not more than 10 percent in any one year and in no event to less than \$2.00 per bushel for wheat and \$1.75 per bushel for corn.

We opposed a provision that would prohibit the Secretary from reducing wheat loan rates by the amount of the storage cost, and it was deleted.

We favored the less costly rice loan and target price adjustment provisions in the House bill, and were successful in retaining them (minimum loan of \$6.31 cwt., and target price adjustment formula based on cost of production excluding land). However, even the House Bill target price for rice was about a dollar higher than we favored, and out of line with those for the other grains and cotton.



The cotton program supported by the Administration is in the Bill, with a target price comparable to those for wheat and feedgrains. The target price adjustment formula is identical to the one used for the grains (land is excluded) and the loan level provisions insure that our cotton will remain competitive in world markets.

The peanut program supported by the Administration is in the bill. A two-price system with quotas is authorized. The "high" price support level is a minimum of \$420 per ton and the "low" price support level is at my discretion taking into consideration projected export prices and other factors.

Soybean prices will be supported, at a level I determine, as we proposed.

A suspension of commercial export sales on short supply grounds requires me to boost market price supports to 90 percent of parity.

We told the Conferees that it was essential to delete the sugar price support provision from the House bill. The Conferees refused to do so, but did amend the provision to reduce the minimum support price to 13.5 cents per pound (raw value), the same level we had earlier agreed to provide through a payment program. They also gave me authority to suspend the price support provisions whenever an international sugar agreement assures a market price in the U.S. of not less than 13.5 cents a pound, and encourage us to provide payments for 1977 crop sugar marketed between May 4 and the day the loan program becomes operative.

We favored wool support price of 85 percent of the formula instead of 90 percent, and the Conferees agreed to the lower level. This, however, is about 15 percent higher than we originally proposed.

We favored excluding authority to make indemnity payments to dairy producers with losses due to chemical residues or toxic substances in milk but this was kept in the bill. However, the eligibility terms and conditions are tightly drawn.

The minimum milk support price will be 80 percent of parity until March 31, 1979, when it reverts to a 75 percent minimum. Semiannual adjustment is required. We favored this instead of an 80 percent minimum for four years.

We opposed the beekeeper indemnity program but it was extended for four years.

#### Grain Reserves

A farmer-owned reserve program for wheat is mandated, with terms and conditions essentially identical to the program we announced last April. Farmers are encouraged to hold wheat off the market until prices rise to at least 140 percent (minimum can be between 140 and 160 percent) of the \$2.35 loan, or \$3.29 to \$3.76 a bushel. I can call the loan when the market price rises above 175 percent of the loan, or \$4.11 per bushel. These provisions we supported. There is a minimum of 300 million bushels of wheat (8.2 million tons) and a maximum of 700 million bushels (19.1 million tons), with the maximum adjustable pending the outcome of international grain reserve talks. We tried to get the 700 million bushel maximum removed but were not successful. However, since it is adjustable this should not be a problem.



The bill includes a farm storage facility loan program similar to that which we announced in April under basic authorities available to me.

A government-held reserve of 2 to 6 million tons (73 to 220 million bushels of wheat) of food for use in meeting food aid commitments that Senator Humphrey strongly supported and that we favored in conference was eliminated from the bill, mainly due to a jurisdictional dispute in the House.

Sales of grain by the Commodity Credit Corporation can be made at 115 percent of the loan level except when a farmer-owned reserve program is in effect. Then the minimum is 150 percent of the loan, as supported by the Administration.

#### Disaster Programs

Producers prevented from planting crops or those who have low yields due to a natural disaster will be protected through a payment program that covers 25 to 30 percent of normal returns. This disaster program is authorized for two years only, with the understanding that the Administration will prepare an insurance program to replace these programs.

Livestock producers facing an emergency due to natural disasters will be assisted in one of three ways: I can make government stocks available to them at the loan price; I can purchase commodities (including hay) in surplus areas, move it to disaster areas and make it available at a reasonable price; or I can provide cash assistance to producers. The latter authority comes to me from HUD. The terms and conditions are essentially those you approved.

#### Miscellaneous

The Agricultural Conservation program is amended in a manner that will shift more of the cost-share assistance to longer term and more enduring conservation practices.

Watershed projects below \$1 million will no longer have to be approved by Congressional committees, and the local share of a watershed project that may be borrowed is increased from \$5 to \$10 million. Resource Conservation and Development projects will now be able to borrow \$500,000 without committee approval, up from \$250,000.

I will be able to defer loan repayments under our agricultural credit and rural development insurance funds.

Aquaculture and human nutrition are added to the basic functions of the Department, and loans for aquaculture are authorized.

#### Foreign Food Assistance (P.L. 480)

The bill contains a series of provisions designed to increase competition and obviate fraud within the foreign food assistance program, which we proposed. Commission payments are prohibited unless I permit them; public tenders and compensation reporting are required; program regulations on conflict of interest are to be tightened; and regulations are to be amended to increase the number of exporters participating in the program.



Agricultural commodities may be used to carry out urgent humanitarian missions, even when supplies are tight. We favored the more liberal provision in the Senate bill that would authorize use of commodities for the humanitarian and developmental purposes of the Act under these supply conditions but the Conferees could not be persuaded.

Commodities from the Commodity Credit Corporation's inventories provided under the Act are to be valued at export price, a provision we favored but STR opposed.

It should be noted that other foreign food assistance provisions were incorporated into the legislation considered by the foreign relations committees.

#### Food Stamps and Commodity Distribution Programs

The major change in the food stamp program is the elimination of the purchase requirement. The bill also strengthens work requirements, reduces net income eligibility, provides for several types of deductions (standard plus a percentage of earned income, excess shelter cost, dependent care), removes one million persons with high gross incomes, requires part-time work for needy student eligibility, provides for a 2-year disqualification period for those engaging in fraud, furnishes states 75 percent cost-sharing administrative expenses for fraud investigation, excludes illegal aliens, allows for increased flexibility in the administration of the program by Indian reservations, and simplifies certain procedures necessary for AFDC and SSI participants. It also authorizes an extension of the Commodity Supplemental Food Program for pregnant women and children.

We favored removal of the House bill provision that places a cap on outlays for the food stamp program, but it was retained. This could create problems if unemployment is significantly higher than estimated.

We favored a reduction in the number of pilot "work fare" projects under the food stamp program and were able to get them reduced from 50 to 14.

We opposed the House provision that proposed an increase in the asset maximum from \$1,500 to \$2,250, and the bill provides a \$1,750 maximum for a household of two or more persons.

We opposed the House provision that would allow cash instead of stamp benefits to households in which all members are elderly, blind or disabled, and the provision was deleted.

The food stamp sections of the bill are remarkably close to those we initially proposed.

#### Agricultural Research and Education

The bill assigns USDA the lead agency role with respect to national food and agriculture science. Food and agriculture science is broadly defined to include all matters normally associated with the food and agriculture system plus forestry, range management, aquaculture, family life, rural and community development. In short, the scope is as broad as the present missions of the USDA.



THE WHITE HOUSE  
WASHINGTON

September 8, 1977

*WAS*  
*not submitted*

The Vice President  
Hamilton Jordan  
Frank Moore (Les Francis)  
Jack Watson

The attached is being sent to  
the President. If you have any comments,  
please call IMMEDIATELY.

Rick Hutcheson

RE: FY 1978 BUDGET FOR THE FARM PROGRAMS



THE WHITE HOUSE

WASHINGTON

September 7, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BERT LANCE  
CHARLIE SCHULTZE  
STU EIZENSTAT

*BLance*  
*CLS*  
*Stu*

SUBJECT:

FY 1978 Budget for the  
Farm Programs

We met last Thursday with members of the Senate Budget Committee staff to discuss the budget for the farm programs. They are concerned about the escalation in FY 1978 budget estimates resulting from recent actions by the farm bill conference committee and by the Administration. The Budget Committee had planned to include \$4.1 billion for all agricultural price and income support programs in their second concurrent resolution, the final Congressional action before the start of the new budget year; they now estimate that \$4.8 billion will be required to cover these actions. Our estimates indicate that the amount required will be even larger than this -- about \$6.2 billion.<sup>1</sup>

Senator Muskie is considering a challenge of the conference committee reported "farm bill." If the challenge should be upheld, the bill would be returned to the Agriculture Committee for modification to conform to the \$4.1 billion budgetary ceiling. Since the new Congressional budget process has been in operation, there has never been an attempt to remand a bill to Committee. The Budget Committee staff feels they have no chance of success on this attempt without our help. If we do not support the action, they are unlikely to make the attempt.

As you know, the farm bill conference has not yet officially reported. Thus, our evaluation of the bill is still underway and any budget estimates remain tentative. Nevertheless, we

<sup>1</sup> Other programs and activities in this function account for an additional \$1.5 billion, which has remained essentially unchanged.



believe it would be useful to review the sequence of actions by which this legislation evolved and the budgetary consequences. We have made certain in the legislative development of the bill and in our recent actions on set-asides, reserves, and loans to not preclude your options for approval or veto of the bill. If there is to be serious consideration of a veto of the bill, this is the time to make that position known for maximum effect.

The Administration's original farm bill proposal, outlined in Secretary Bergland's testimony of March 22 and 23, averaged about \$1.4 billion per year for crop years 1978-81. This figure is not comparable to those cited above since the latter only includes deficiency and reserve storage payments and loan and inventory outlays for grains and cotton. Since the budgetary effects lag by one year, this proposal affected fiscal years 1979-82. The original proposal established target prices for wheat and corn at \$2.60 and \$1.75, respectively. On April 18th, after it had become evident that this proposal lacked political support in the Congress, you authorized Secretary Bergland to endorse higher target prices -- \$2.90 for wheat, \$2.00 for corn, and 51¢ for cotton -- provided the average annual cost for grains and cotton remained below \$2 billion.

The Congressional Committees then moved to increase the 1977 crop support levels, not previously considered in the "farm bill." This action affects the FY 1978 budget. In early May, you authorized Administration support for higher target prices for the 1977 crops (\$2.65 wheat and \$1.85 corn), provided the Congress agreed to our levels and adjustment procedures in the out-years. Finally, prior to the start of the conference, you discussed the situation with both Secretary Bergland and Congressman Foley and approved Administration support of most key provisions in the House bill. Of the 4 or 5 "must" provisions we identified, we were successful in conference except for the sugar provision. A brief description of the major provisions of the farm bill is attached, for your information.

The sequence of proposals and the associated budget estimates for FY 1979-82 are summarized in Table 1. Throughout this period, and going into conference, the Department of Agriculture has advised us that average annual budget costs for



the grain and cotton programs for this period could be kept within the \$2 billion ceiling, recognizing that costs would vary substantially from year-to-year within the period. In his memo of July 14, to you, prior to your meeting to discuss House floor and conference strategy, Secretary Bergland indicated that "those programs included within the \$2.0 billion annual average ceiling you gave me to work within can be operated in a manner that keeps outlays below the ceiling if the positions (we recommended) are in the final bill." Though we believe this could prove to be an optimistic forecast, much depends on future weather conditions and on future administrative decisions regarding set-asides, loan rates, and export policy, all of which are difficult to predict.

It is possible to estimate FY 1978 budget costs with fairly high confidence, however -- and they have risen dramatically since the budget was submitted. The budget outlay estimate for all farm price and income support activities has risen from \$866 million in the Administration budget to a current estimate of \$6.15 billion. Details of this increase are shown in Table 2. There are three principal reasons for the increases: (1) changing market conditions, (2) Congressional actions, and (3) administrative actions. About half of the increase is attributable to changing market conditions. For example, when the budget was prepared last winter, a season average farm price for wheat of \$2.60 per bushel was assumed. Agriculture is now estimating \$2.20 and the August price was only \$2.03. In the case of corn, the budget assumed a season average farm price of \$2.20. It is now estimating \$2.00, with an August price of \$1.68. This does not speak very well for the Department of Agriculture's capacity to predict even short-term market conditions.

The other half of the increase can be traced to a combination of Congressional and administrative actions. These include higher target prices for wheat and feed grains, increased loan levels for feed grains, our earlier decision to raise dairy price supports from \$8.26 to \$9.00 per cwt, the USDA's intention to use discretionary authority to provide deficiency payments to sorghum and barley producers, and the increased use of short-term export credit to promote grain exports.

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We favored provisions that guarantee the producer a target price payment on 100 percent of the acreage planted for harvest if he adjusts his plantings by the amount required to meet national targets and that protected other producers on only 80 percent of their acreage (Senate bill provided 90 percent), and these provisions were accepted.

The bill contains the set-aside and land diversion authorities in essentially the manner we proposed. These authorities are applicable to wheat, feedgrains, cotton and rice. We proposed permissive authority for a soybean set-aside but this was deleted.

We stated it was essential to the Administration that I be given authority to require a reduction in acreage normally used to grow crops equal to the acreage set-aside or diverted and that I be given the authority to require compliance with set-aside provisions to be eligible for benefits under any program, and these authorities are in the Bill.

We favored basing set-aside on either the current or prior year plantings for harvest, but the Conferees restricted our authority to current year. We intended to use current year anyway.

Target price payments are limited, but the limitation for combined wheat, feedgrain and cotton payments is raised to \$40,000 in 1978 and \$45,000 in 1979, from the current \$20,000. Payments to rice growers, now limited to \$55,000 are restricted to \$52,250 in 1978 and \$50,000 in 1979. Beginning with the 1980 crops the combined payment under all these programs is limited to \$50,000, the level we originally proposed for all years of the bill. We also proposed to include extra long staple cotton but the Conferees failed to do so.

Minimum loan levels are \$2.35 for wheat and \$2.00 for corn as long as the season average price is more than 5 percent higher. Minimum loan levels for the other feedgrains are on a competitive feeding basis with corn. These provisions we recommended except we initially proposed a \$2.25 wheat loan.



# Loan Rate Comparisons

<u>Crop</u>	<u>Administration Proposal</u>	<u>House Bill</u>	<u>Senate Bill</u>	<u>Conference Bill</u>
<u>1977 Crop</u>				
Wheat	--	--	--	--
Corn <u>1/</u>	1.75	2.00	1.75	2.00
Cotton	--	--	--	--
Rice	--	--	--	--
Soybeans	--	--	--	--
Peanuts	--	--	--	--
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>
<u>1978 Crop</u>				
Wheat	2.25	2.35	2.47	2.35
Corn <u>1/</u>	2.00	2.00	2.00	2.00
Cotton <u>3/</u>	.46	.46	.46	.46
Rice	6.19	6.31	6.45	6.31
Soybeans	4/	4/	4.00	4/
Peanuts	420	420	420	420
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>

1/ Loan rates for sorghum, barley, and oats at levels that are competitive for use.

2/ With a minimum at 13.5 cents per pound.

3/ Cotton loan rates based on a specified formula related to smaller of domestic or world prices.

4/ Discretionary.

5/ Dual milk support prices indicate semi-annual adjustments.

The House bill required a reduction in grain loan levels when supplies were excessive, to a level that would maintain our competitiveness in world and U.S. markets. We stated this was essential to the Administration. The Conferees amended this to make the reduction permissive, to limit the reduction to not more than 10 percent in any one year and in no event to less than \$2.00 per bushel for wheat and \$1.75 per bushel for corn.

We opposed a provision that would prohibit the Secretary from reducing wheat loan rates by the amount of the storage cost, and it was deleted.

We favored the less costly rice loan and target price adjustment provisions in the House bill, and were successful in retaining them (minimum loan of \$6.31 cwt., and target price adjustment formula based on cost of production excluding land). However, even the House Bill target price for rice was about a dollar higher than we favored, and out of line with those for the other grains and cotton.



The cotton program supported by the Administration is in the Bill, with a target price comparable to those for wheat and feedgrains. The target price adjustment formula is identical to the one used for the grains (land is excluded) and the loan level provisions insure that our cotton will remain competitive in world markets.

The peanut program supported by the Administration is in the bill. A two-price system with quotas is authorized. The "high" price support level is a minimum of \$420 per ton and the "low" price support level is at my discretion taking into consideration projected export prices and other factors.

Soybean prices will be supported, at a level I determine, as we proposed.

A suspension of commercial export sales on short supply grounds requires me to boost market price supports to 90 percent of parity.

We told the Conferees that it was essential to delete the sugar price support provision from the House bill. The Conferees refused to do so, but did amend the provision to reduce the minimum support price to 13.5 cents per pound (raw value), the same level we had earlier agreed to provide through a payment program. They also gave me authority to suspend the price support provisions whenever an international sugar agreement assures a market price in the U.S. of not less than 13.5 cents a pound, and encourage us to provide payments for 1977 crop sugar marketed between May 4 and the day the loan program becomes operative.

We favored wool support price of 85 percent of the formula instead of 90 percent, and the Conferees agreed to the lower level. This, however, is about 15 percent higher than we originally proposed.

We favored excluding authority to make indemnity payments to dairy producers with losses due to chemical residues or toxic substances in milk but this was kept in the bill. However, the eligibility terms and conditions are tightly drawn.

The minimum milk support price will be 80 percent of parity until March 31, 1979, when it reverts to a 75 percent minimum. Semianual adjustment is required. We favored this instead of an 80 percent minimum for four years.

We opposed the beekeeper indemnity program but it was extended for four years.

#### Grain Reserves

A farmer-owned reserve program for wheat is mandated, with terms and conditions essentially identical to the program we announced last April. Farmers are encouraged to hold wheat off the market until prices rise to at least 140 percent (minimum can be between 140 and 160 percent) of the \$2.35 loan, or \$3.29 to \$3.76 a bushel. I can call the loan when the market price rises above 175 percent of the loan, or \$4.11 per bushel. These provisions we supported. There is a minimum of 300 million bushels of wheat (8.2 million tons) and a maximum of 700 million bushels (19.1 million tons), with the maximum adjustable pending the outcome of international grain reserve talks. We tried to get the 700 million bushel maximum removed but were not successful. However, since it is adjustable this should not be a problem.



The bill includes a farm storage facility loan program similar to that which we announced in April under basic authorities available to me.

A government-held reserve of 2 to 6 million tons (73 to 220 million bushels of wheat) of food for use in meeting food aid commitments that Senator Humphrey strongly supported and that we favored in conference was eliminated from the bill, mainly due to a jurisdictional dispute in the House.

Sales of grain by the Commodity Credit Corporation can be made at 115 percent of the loan level except when a farmer-owned reserve program is in effect. Then the minimum is 150 percent of the loan, as supported by the Administration.

#### Disaster Programs

Producers prevented from planting crops or those who have low yields due to a natural disaster will be protected through a payment program that covers 25 to 30 percent of normal returns. This disaster program is authorized for two years only, with the understanding that the Administration will prepare an insurance program to replace these programs.

Livestock producers facing an emergency due to natural disasters will be assisted in one of three ways: I can make government stocks available to them at the loan price; I can purchase commodities (including hay) in surplus areas, move it to disaster areas and make it available at a reasonable price; or I can provide cash assistance to producers. The latter authority comes to me from HUD. The terms and conditions are essentially those you approved.

#### Miscellaneous

The Agricultural Conservation program is amended in a manner that will shift more of the cost-share assistance to longer term and more enduring conservation practices.

Watershed projects below \$1 million will no longer have to be approved by Congressional committees, and the local share of a watershed project that may be borrowed is increased from \$5 to \$10 million. Resource Conservation and Development projects will now be able to borrow \$500,000 without committee approval, up from \$250,000.

I will be able to defer loan repayments under our agricultural credit and rural development insurance funds.

Aquaculture and human nutrition are added to the basic functions of the Department, and loans for aquaculture are authorized.

#### Foreign Food Assistance (P.L. 480)

The bill contains a series of provisions designed to increase competition and obviate fraud within the foreign food assistance program, which we proposed. Commission payments are prohibited unless I permit them; public tenders and compensation reporting are required; program regulations on conflict of interest are to be tightened; and regulations are to be amended to increase the number of exporters participating in the program.



Agricultural commodities may be used to carry out urgent humanitarian missions, even when supplies are tight. We favored the more liberal provision in the Senate bill that would authorize use of commodities for the humanitarian and developmental purposes of the Act under these supply conditions but the Conferees could not be persuaded.

Commodities from the Commodity Credit Corporation's inventories provided under the Act are to be valued at export price, a provision we favored but STR opposed.

It should be noted that other foreign food assistance provisions were incorporated into the legislation considered by the foreign relations committees.

#### Food Stamps and Commodity Distribution Programs

The major change in the food stamp program is the elimination of the purchase requirement. The bill also strengthens work requirements, reduces net income eligibility, provides for several types of deductions (standard plus a percentage of earned income, excess shelter cost, dependent care), removes one million persons with high gross incomes, requires part-time work for needy student eligibility, provides for a 2-year disqualification period for those engaging in fraud, furnishes states 75 percent cost-sharing administrative expenses for fraud investigation, excludes illegal aliens, allows for increased flexibility in the administration of the program by Indian reservations, and simplifies certain procedures necessary for AFDC and SSI participants. It also authorizes an extension of the Commodity Supplemental Food Program for pregnant women and children.

We favored removal of the House bill provision that places a cap on outlays for the food stamp program, but it was retained. This could create problems if unemployment is significantly higher than estimated.

We favored a reduction in the number of pilot "work fare" projects under the food stamp program and were able to get them reduced from 50 to 14.

We opposed the House provision that proposed an increase in the asset maximum from \$1,500 to \$2,250, and the bill provides a \$1,750 maximum for a household of two or more persons.

We opposed the House provision that would allow cash instead of stamp benefits to households in which all members are elderly, blind or disabled, and the provision was deleted.

The food stamp sections of the bill are remarkably close to those we initially proposed.

#### Agricultural Research and Education

The bill assigns USDA the lead agency role with respect to national food and agriculture science. Food and agriculture science is broadly defined to include all matters normally associated with the food and agriculture system plus forestry, range management, aquaculture, family life, rural and community development. In short, the scope is as broad as the present missions of the USDA.